

MAINE STATE LEGISLATURE

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PAUL R. LEPAGE
GOVERNOR

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MAINE REVENUE SERVICES
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ADMINISTRATIVE & FINANCIAL SERVICES

H. SAWIN MILLETT, JR.
COMMISSIONER

MAINE REVENUE SERVICES

JEROME D. GERARD
EXECUTIVE DIRECTOR

January 7, 2013

Senator Dawn Hill and Representative Margaret R. Rotundo
Joint Standing Committee on Appropriations and Financial Affairs

Senator Anne M. Haskell and Representative Adam A. Goode
Joint Standing Committee on Taxation

Dear Committee Co-Chairs:

Pursuant to Public Law 2009, Chapter 213, Part TTTT, I have enclosed herewith the report regarding the cost and revenue due to the use of Maine Revenue Services' Data Warehouse Collection Initiative. Please feel free to contact me if you have any questions about this report.

Sincerely,

A handwritten signature in blue ink that reads "Jerome D. Gerard".

Jerome D. Gerard

cc: Members of the Joint Standing Committee on Appropriations and Financial Affairs
Members of the Joint Standing Committee on Taxation
Michael Cianchette, Legal Counsel, Office of the Governor
H. Sawin Millett, Jr., DAFS Commissioner
Jennifer Smith, DAFS Legislative Coordinator

Annual Bureau of Revenue Services Data Warehouse Cost and Revenue Report

Submitted to the Joint Standing Committee on Appropriations & Financial Affairs and the Joint Standing Committee on Taxation

January 7, 2013

Introduction

Maine Revenue Services (“MRS”) has been engaged in a systematic ongoing effort to identify and collect tax revenues legally due to the State through the Data Warehouse Collection Initiative (“DWCI” or “the program”). MRS has contracted with Revenue Solutions Inc. (“RSI”) to develop a data warehouse and discover new leads regarding income tax “non-filers” (individuals who are legally required to file tax returns but have not done so). RSI utilizes a propriety product called DiscoverTax (“DTax”) to identify individuals with Maine-source income who have not filed Maine or Federal individual income tax returns. Pursuant to 36 MRSA §194, enacted during the First Regular Session of the 124th Legislature (Public Law 2009, chapter 213), the Secretary of State and all executive branch departments, boards and other State of Maine agencies are required to annually provide to MRS electronic data requested by the State Tax Assessor (the “Assessor”) to facilitate the DWCI.

Actual Revenue

As of the date of this report actual revenue generated:

<u>Period</u>	<u>Compliance Collections</u>	<u>Stopped Refunds</u>	<u>Total Benefit</u>
FY 2010	\$ 0	\$ 0	\$ 0
FY 2011	\$ 349,307	\$ 1,777,707	\$ 2,127,014
FY 2012	\$ 2,947,572	\$ 2,590,031	\$ 5,537,603
FY 2013 (July-Nov)	<u>\$ 2,157,868</u>	<u>\$ 1,120,988</u>	<u>\$ 3,278,856</u>
	\$ 5,454,746	\$ 5,488,727	\$10,943,474

Maximum amounts allowable to be paid to RSI:

FY 2010	\$ 163,000
FY 2011	\$ 1,350,000
FY 2012	\$ 1,770,000
FY 2013	\$ 1,738,000

As of the date of this report actual amount paid to RSI:

FY 2010	\$	0
FY 2011	\$	349,108
FY 2012	\$	1,566,847
FY 2013	\$	819,714 (Jul-Nov)

Methodology

The State pays RSI a 25% commission on all qualifying revenue discovered up to an annual ceiling amount. RSI receives credit for payment from revenue generation through discovery of individual income tax non-filers and the revenue generated from intercepting erroneous Tax & Rent claims and individual income tax refund claims.

Notes

The project began its initial setup during FY 2010 and the actual first DTAX cases were not generated until FY2011 (approximately July, 2010). This lag-time is a result of the setup phase of the project, as well as the normal time-frame which must elapse until tax debts become final and collectible (typically six months or longer).

The first of these non-filer cases began to generate actual collections during January, 2011 and have steadily increased over time and it is anticipated these revenue numbers will continue to increase. The overall project has, so far, generated revenue (up through November, 2012) in the amount of \$10.9 million; about half of this figure is attributed to stopping erroneous refunds, with the other half attributed to non-filer Compliance programs.